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ORIGIN NEA-16

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TO AMEMBASSY TEL AVIV

C O N F I D E N T I A L STATE 173730

E.O. 11652: GDS

TAGS: EAID, ETRD, ENRG, IS

SUBJECT: U.S.-ISRAEL JOINT COMMITTEE, SHER/ENDERS CONVERSATION 8/6/74

1. SUMMARY: ISRAELI EMBASSY ECON MINISTER SHER CALLED ON ASSTSEC ENDERS (EB) TO DISCUSS (A) EMERGENCY OIL SHARING PLAN RECENTLY AGREED TO BETWEEN U.S. AND SEVERAL OECD COUNTRIES, (B) ISRAEL'S NEED TO ENSURE ITS SUPPLY OF ESSENTIAL RAW MATERIALS, AND (C) POSSIBLE USG EFFORTS TO PROMOTE PRIVATE AMERICAN INVESTMENTS IN ISRAEL. SHER SAID DISCUSSION WAS IN CONTEXT OF SEEKING WAY TO IMPLEMENT POINTS OF NIXON/RABIN AND SIMON/RABINOWITZ JOINT STATEMENTS. END SUMMARY.

2. IN CONTEXT OF IMPENDING VISIT TO U.S. OF GOI ENERGY CZAR DINSTEIN TO DISCUSS OIL MATTERS AT SENIOR USG LEVELS, SHER RAISED SUBJECT OF RECENT AGREEMENT ON EMERGENCY OIL SHARING PLAN. ENDERS BRIEFLY EXPLAINED ESSENTIAL
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POINTS OF PLAN WHICH CALLS FOR FOLLOWING MEASURES TO MEET

CRISIS: (A) CONSUMPTION CUTS; (B) STOCKPILING FOR AGREED NUMBER OF DAYS AND AGREEMENT ON HOW STOCKS CAN BE DRAWN DOWN; AND (C) HOW OIL IS TO BE ALLOCATED AMONG PARTICIPATING COUNTRIES. PRESENT GROUP CONSISTS OF 12 OECD COUNTRIES AND ADDITIONAL, BUT NOT NECESSARILY ALL, OECD MEMBERS EXPECTED TO JOIN. PRESENT GROUP IN SHARING PLAN MUST YET

DETERMINE ITS POLICY VIS A VIS MEMBERSHIP FOR NON-OECD COUNTRIES AND WHAT SHARE OF AVAILABLE OIL THE GROUP WILL SEEK TO MAINTAIN IN CRISIS. ENDERS SAID IT NOT YET POSSIBLE TO BRING IN OTHER COUNTRIES, AND HE OPINED THAT GROUP WOULD PROBABLY TRY OBTAIN NORMAL OIL LEVELS DURING CRISIS WHICH WOULD IN EFFECT SHIFT BURDEN TO ALL COUNTRIES NOT IN THE GROUP AND WHO DO NOT ENJOY COMMON STOCKPILING.

3. ENDERS ADDED THAT IT WOULD BE TOO DIFFICULT FOR ALL GROUP MEMBERS TO BEAR BURDEN OF CRISIS, THEREFORE, BETTER TO SPREAD IT OVER WHOLE WORLD. SHER NOTED THAT EFFECT IS BORNE BY THOSE NOT REPRESENTED IN THE GROUP AND SUGGESTED THAT LARGE GROUP WOULD BE PREFERABLE. ENDERS REPLIED THAT EFFECT WOULD BE SAME AS SITUATION THAT PREVAILED DURING LAST CRISIS, AND U.S. FEELS IT BEST KEEP GROUP SMALL TO PRESERVE UNITY OF ACTION. ENDERS ADDED THAT ENFORCEMENT PROVISIONS WILL CAUSE DIMINISHED SUPPLY RIGHTS DURING CRISIS IN PROPORTION TO DEGREE OF FAILURE BY ANY COUNTRY TO LIVE UP TO TERMS OF AGREEMENT.

4. SHER SAID THAT ISRAELI OIL PROBLEMS ARE UNIQUE. HE POINTED OUT THAT ISRAEL DEPENDS UPON IRANIAN AND SINAI OIL AND THEREFORE WANTS TO DIVERSIFY ITS SOURCES IN EVENT OF CRISIS, E.G., BLOCKADE AT BAB EL-MANDEB ENTRANCE TO RED SEA. ISRAELI ANNUAL CONSUMPTION OF ABOUT 8 MILLION TONS IS CONSTANT WHETHER IN PEACE OR WAR BECAUSE OF DIMINISHED CIVILIAN CONSUMPTION IN WARTIME.

5. SHER NEXT PRESENTED ISRAELI VIEWS ON THE IMPLEMENTATION OF SIMON/RABINOWITZ JOINT STATEMENT SETTING UP MECHANICS FOR SUPPLY OF ESSENTIAL RAW MATERIALS TO ISRAEL. SHER POINTED OUT THAT GOI HAS INFORMED DEPT OF ISRAEL'S CONFIDENTIAL

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NEED FOR 200,000 TONS PER YEAR OF FERROUS SCRAP BEGINNING IN 1975. SHER EXPLAINED HE WAS REFERRING TO QUESTION OF AVAILABILITY, NOT FINANCING, OF ESSENTIAL RAW MATERIALS AND NOTED PROBLEM OF SOYBEANS SUPPLY WHICH ISRAEL FACED IN MID-1973. QUESTION FOR ISRAEL WAS HOW MUCH OF ANY SPECIFIC RAW MATERIALS WOULD BE AVAILABLE. SHER THOUGHT THAT ONLY POSSIBLE ARRANGEMENT WOULD BE LONG-RANGE SUPPLY AGREEMENT TO SELL TO ISRAEL OUT OF U.S. STRATEGIC STOCK-

PILES. HOWEVER, FOR SOME MATERIALS IN WHICH GOI INTERESTED THERE WAS NO U.S. STOCKPILE. SHER SUGGESTED INFORMAL DISCUSSION ON THIS MATTER OUTSIDE BINATIONAL COMMITTEE FORMAT BEFORE REACHING FORMAL AGREEMENT IN COMMITTEE. HE FURTHER EXPLAINED THAT GOI WANTS ASSURANCE IT CAN GET WHAT IT WANTS WHEN NEED ARISES AT MARKET PRICES.

6. SHER ADDED THAT QUESTION OF FINANCIAL ASSISTANCE ARRANGEMENTS FOR PURCHASING REQUIRED MATERIAL SHOULD BE DISCUSSED AS SEPARATE SUBJECT APART FROM GOI STOCKPILE PLAN. ENDERS REPLIED THAT EACH COMMODITY WOULD HAVE TO BE DISCUSSED SEPARATELY. FOR SOME (STOCKPILE ITEMS) WE HAVE OWNERSHIP OF COMMODITIES AND CAN SELL THEM SUBJECT TO CERTAIN PROCEDURES. FOR OTHERS (PL 480) WE HAVE FINANCING BUT NOT OWNERSHIP AUTHORITIES. IN STILL OTHERS WE HAVE NEITHER. THE PLACE TO BEGIN IS WITH THE ISRAELI LIST; ONCE WE HAVE RECEIVED THAT WE CAN ESTABLISH PROCEDURES.

7. SHER RAISED MATTER OF GOI REQUEST FOR U.S. "POLITICAL ASSISTANCE," E.G., PUBLIC INFORMATION PROGRAM, TO ENCOURAGE PRIVATE AMERICAN INVESTMENTS IN ISRAEL BECAUSE MAJOR OBSTACLES TO INCREASED INVESTMENT ARE POLITICAL, I.E., ARAB BOYCOTT AND ATTRACTIVE LURE OF VAST ARAB WEALTH USED AS POLITICAL WEAPON AGAINST ISRAEL. SHER SAID THAT POLITICAL ASPECT WAS IMPORTANT AND ADDED THAT AMERICAN FIRMS SHOULD FEEL THAT DOING BUSINESS IN ISRAEL WILL NOT HARM THEIR INTERESTS IN THE ARAB WORLD. HE STRESSED THAT GOI CONSIDERS THIS AN URGENT AND NECESSARY MEASURE WITHIN CONTEXT OF U.S. ASSISTANCE TO ISRAEL. SHER ADDED THAT PRIVATE FIRMS SHOULD KNOW THAT USG WILL STAND BEHIND THEM AND PROTECT THEIR INTERESTS IF THEY INVEST IN ISRAEL. ENDERS ASKED SHER WHAT MORE HE

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THOUGHT USG COULD DO, SINCE WE ALREADY PROTECT AMERICAN FIRMS ABROAD AND HAVE PROTESTED ARAB BOYCOTT ACTIONS FOR YEARS. SHER SAID HE ASKED ONLY FOR POLITICAL HELP TO CREATE ATMOSPHERE CONDUCIVE FOR INVESTMENT. HE ESTIMATED U.S. PRIVATE INVESTMENT IN ISRAEL NOW RUNNING AT ABOUT DOLLARS 10 MILLION PER YEAR, OR EVEN LESS, DOWN FROM PEAK OF DOLLARS 50 TO 100 MILLION ANNUALLY. ENDERS AGREED TO LOOK AT SHER'S PROPOSAL AND RESPOND.

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